

Message Text

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ACTION XMB-07

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 DODE-00 DRC-01 /106 W

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R 151600Z NOV 73

FM AMCONSUL ZAGREB

TO SECSTATE WASHDC 2195

USDOC WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USMISSION EC BRUSSELS

USMISSION NATO

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PASS EXIM BANK

E.O. 11652: N/A

TAGS: ENRG ETRD EFIN CZ HU PL RO YO

SUBJECT: PAN ADRIA PIPELINE: CURRENT STATE OF PLAY

REF: ZAGREB 0575

SUMMARY: ACCORDING TO LATEST INFORMATION, PIPELINE--AT LEAST
IN FIRST STAGES--WILL NOT CONNECT THROUGH TO POLAND AND ROMANIA.

PROJECT COST NEWLY ESTIMATED AT \$311 MILLION. LOAN APPLICATION
REPORTEDLY MADE TO IBRD. YUGOSLAV INVESTORS ALSO VERY INTERESTED
IN BIDS FROM AMERICAN EQUIPMENT SUPPLIERS WITH EXIM FINANCING.

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END SUMMARY

1. RECENT CONVERSATIONS WITH KEY INA OFFICIALS INDICATE PIPE-LINE PROJECT BECOMING MORE FIRMLY DEFINED. COMPLETED TECHNICAL DOCUMENTATION DOES NOT PROVIDE FOR POLISH OR ROMANIAN PARTICIPATION, AT LEAST AT THIS STAGE.

2. COST (INCLUDING ESCALATION FACTOR OF 5 PER CENT AND 8 PER CENT FOR EQUIPMENT AND CIVIL WORKS RESPECTIVELY) NOW ESTIMATED AT \$311 MILLION. INA SOURCE BELIEVES THAT HUNGARIANS AND CZECHS MAY SUPPLY ABOUT \$50 MILLION AS "CONVERTIBLE" FINANCIAL CREDIT. FINANCING APPLICATION HAS BEEN MADE TO IBRD, AND CONSORTIUM MAY ALSO APPLY SOON FOR PRELIMINARY COMMITMENT TO EXIM BANK.

3. GOODS AND SERVICES WHICH YUGOSLAV CONSORTIUM MAY SEEK FROM WESTERN AND/OR US SUPPLIERS INCLUDE: (A) CONSULTING ENGINEERING AND PROJECT SUPERVISION, (B) HEAVY CONSTRUCTION EQUIPMENT (SALE OR LEASING), (C) PIPE, (D) VALVES, (E) PUMPS, (F) CONTROLS, (G) OIL PORT EQUIPMENT, AND PERHAPS (H) SOME METAL PLATE FOR TANK FARM CONSTRUCTION.

4. BECAUSE OF POSSIBLE IBRD PARTICIPATION, PROJECT NOW REQUIRES FEASIBILITY STUDY WHICH, WE UNDERSTAND, MAY BE AWARDED TO BECHTEL CORP. STUDY WHICH SHOULD REPORTEDLY BEGIN NO LATER THAN DECEMBER 15, 1973, COULD--IN OPINION OF INA ENGINEERING SOURCE--REVEAL WAYS TO SPREAD PROJECT'S FINANCIAL IMPACT, FOR EXAMPLE, BY REDEFINING IT INTO STAGES. FIRST PRIORITY MIGHT BE GIVEN TO COMPLETION OF MAIN TRUNK AND LINE TO HUNGARIAN BORDER (HOPEFULLY NO LATER THAN THE END OF 1976).;

5. IN MEETINGS WITH MARVIN SOLOMON, COUNSEL, EXIM BANK LAST WEEK, EXECUTIVES OF PIPELINE CONSORTIUM MEMBERS INA, NAFTAGAS AND ENERGOINVEST INDICATED THAT AMERICAN FIRMS HAVE GOOD CHANCE OF OBTAINING BULK OR ALL OF CONTRACTS FOR \$80 MILLION WORTH OF FOREIGN EQUIPMENT NEEDED FOR PIPELINE, IF EXIM FINANCING AVAILABLE.

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